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# **CAMBODIA MSME 2/BEE FY2009 POVERTY ASSESSMENT TOOL ACTIVITY SUMMARY**

**TASK ORDER NO. 04**

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# CAMBODIA MSME 2/BEE PROJECT

**FY2009 POVERTY ASSESSMENT TOOL ACTIVITY SUMMARY**

**TASK ORDER NO. 04**

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## INTRODUCTION

In 2000, the United States Congress passed the Microenterprise for Self-Reliance Act. This Act requires that half of all funding provided by USAID to the microenterprise sector must reach the very poor. Congress amended this legislation in 2003 to define “very poor” as those living on less than \$1/day (the international poverty line) or those living in the bottom 50 percent below their own country’s poverty line (the national poverty line). The 2003 amendment also required that USAID develop and certify two tools for assessing the poverty level of the beneficiaries of USAID microenterprise funding. Since then, the IRIS Center at the University of Maryland has worked under contract with USAID to develop, test, and disseminate poverty assessment tools (PATs) that meet Congressional requirements for accuracy and practicality.

All USAID implementing partners who (1) work in a country for which a PAT has been certified, and (2) receive at least \$100,000 in USAID funding (obligations) during the current fiscal year to support microenterprise development activities must use a certified tool to measure the share of their clients who are very poor. In addition, implementing partners must then report this percentage annually to USAID – and eventually Congress – through the Microenterprise Results Reporting (MRR) system. In 2008, USAID approved a tool for Cambodia, making FY 2009 the first year that qualifying implementing partners in Cambodia were required to report the results of the PAT.

Since poverty has distinct characteristics in each environment, Cambodia’s PAT is a country-specific household survey. It contains 17 questions, carefully selected and calibrated to determine whether respondents meet the definition of very poor in the Cambodian context. The survey questions cover three main areas: household member information; housing and living conditions; and assets. It is important to note that certified PATs are designed to assess the poverty level of groups of clients or beneficiaries. The surveys are not as accurate in assessing individual poverty and care should be taken in using a PAT, or any tool designed to measure absolute poverty, to target new clients.

## METHODOLOGY

USAID Cambodia MSME/BEE incorporated the PAT questionnaire as part of the baseline survey of enterprises assisted under Component One: Strengthening Selected Value Chains conducted in July and August 2009 as part of the project’s routine monitoring and evaluation system. One initial challenge posed by this implementation plan was that the sample population for the PAT would include all beneficiaries of the project, not solely microenterprises.<sup>111</sup> The main goal of the PAT team in implementing the tool for USAID Cambodia MSME/BEE was to balance statistical accuracy with administrative practicality. In other words, the team wanted to construct a sample that would accurately represent the project’s beneficiaries but would also be feasible to implement within a reasonable timeframe and budget. Therefore, the project, in close consultation with the PAT Resource Team based at DAI/Bethesda, determined that the cost of implementing a separate survey activity, in addition to the project’s Year One baseline survey, would outweigh the value of constructing a more selective sample population for the PAT only.

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<sup>111</sup> For USAID program purposes, the term “microenterprise” is restricted to enterprises with 10 or fewer workers, including the microentrepreneur and any unpaid family workers.

USAID Cambodia MSME/BEE hired a local market research firm, Indochina Research Ltd., to implement the baseline survey and PAT questionnaire. A total of 735 program beneficiaries were interviewed in eleven districts – Battambang, Kampong Cham, Kampong Speu, Kampong Thom, Kampot, Kandal, Prey Veng, Pursat, Siem Reap, Svay Rieng, and Takeo. The sample was 5 percent urban and 95 percent rural, and it included a wide range of actors in all three of the selected value chains, such as fish and pig producers, veterinarians, fish and pig traders, and brick and tile makers.

Also of note, the USAID Cambodia MSME/BEE project was the first test case of a recalibrated poverty calculation program, using a new extreme poverty line for Cambodia. When the Cambodia PAT was created, the national poverty line was higher, and more inclusive, than the \$1/day international poverty line (which was \$1.08 in 1993 prices at that time). For the poverty calculation program, USAID uses whichever line is higher – either the international poverty line or the national poverty line – in order to include more of the poor in that country. As a result, the median and national poverty lines were initially used to set the extreme poverty line and poverty line, respectively.

However, after the World Bank improved and updated the purchasing power parity (PPP) calculations for each country in 2008 and determined a new international extreme poverty line of \$1.25/PPP in 2005 prices, the new "dollar a day" line was then higher than the median poverty line for Cambodia. As a result, Cambodia MSME/BEE was the first project to employ the updated Cambodia PAT, using \$1.25/day and \$2.50/day lines instead of the national poverty line and median poverty line.

## **RESULTS**

The survey results were processed using EPI Info—a program designed by the Centers for Disease Control. EPI Info analyzes the inputted data and generates the poverty percentage figures, which are the percentage of respondents living below the designated poverty lines for that country. Results for Cambodia MSME/BEE's PAT implementation indicated that 2.6 percent of respondents were classified as "very poor," meaning they fell below the international extreme poverty line of \$1.25/day. In addition, 25.7 percent of clients were determined to be "poor" based on the international poverty line of \$2.50/day. USAID Cambodia MSME/BEE submitted the "very poor" percentage figure and the survey database to the PAT Help Desk on 9 October 2009. The project will submit the extreme poverty percentage again to USAID through the online Microenterprise Results Reporting system as part of its FY 2009 reporting.

Since the MSME/BEE project works in value chains with high growth-potential, the poverty percentage was not expected to be very high in this case. However, both the project and PAT team agree that the calculation of 2.6 percent does not adequately reflect the project's reach to the very poor. One possible explanation for the lower poverty percentage is that employees of the client firms were not interviewed. According to recent clarification from Don Sillers, these employees are considered indirect beneficiaries of the work of USAID Cambodia MSME/BEE and including them would provide a more accurate picture of the project's microenterprise reach. However employees were not included in the sample population for the baseline survey – and as a result, were excluded from the FY 2009 PAT as well.

Another factor that contributed to the low poverty percentage was that the project decided not to exclude any value chain or value chain actor from the sample population for the PAT calculation. In order to eliminate those firms that are not considered microenterprises from the sample population, the PAT team could have removed all survey responses from the brick and tile value chain, for instance. However, this type of manipulation would distort the proportionality of the representative sample and the team decided against this alternative.

## CONCLUSION

Going forward, the project team is committed to including a broader sample of the population next year and is eager to take a more comprehensive look at all of the project's beneficiaries. The project focuses on several primary objectives: directly supporting the growth of enterprises and linkages in industry value chains; strengthening the ability of the private sector to advocate for itself; and strengthening the ability of the public sector to respond to private sector needs as well as the demands of the international trade regime. The hypothesis underlying the program is that progress on all of these fronts will enable MSMEs to prosper, grow, and create jobs. As a result, including the employees of the client MSMEs would help to construct a more accurate sample of the project's reach and impact on the very poor.

Annexed to this report are the main deliverables of this activity:

- **Annex A: USAID Cambodia MSME/BEE PAT Fact Sheet** – This document provides introductory information on the purpose and scope of the PAT, as well as a summary of the Cambodia MSME/BEE PAT survey results. This Fact Sheet may be shared at USAID's discretion with other donors, organizations, or government counterparts in Cambodia.
- **Annex B: USAID Cambodia PAT Final Questionnaire** – This document is the final version used in the Cambodia MSME/BEE PAT

## **ANNEX A**

### **USAID Cambodia MSME/BEE FY2009 Poverty Assessment Tool Fact Sheet**

#### **What Is the Poverty Assessment Tool (PAT)?**

In 2000, the United States Congress passed the Microenterprise for Self-Reliance Act. This Act requires that half of all the money provided by USAID to the microenterprise sector must reach the very poor. The U.S. Government amended this legislation in 2003 to define “very poor” as those living on less than \$1/day (the international poverty line) or those living in the bottom 50 percent below their own country’s poverty line (the national poverty line). The new amendment also required that USAID develop and certify two tools for assessing the poverty level of the beneficiaries of USAID microenterprise funding.

#### **Who Must Report?**

All USAID implementing partners who (1) work in a country with a certified PAT, and (2) spent at least \$100,000 in USAID funding during the current fiscal year to support microenterprise development activities in that country are required to use that certified PAT to measure the percentage of clients or program beneficiaries who are very poor and report this percentage to USAID. In 2008, USAID approved a poverty assessment tool for Cambodia, making FY 2009 the first year that qualifying implementing partners in Cambodia are required to report on the results of the PAT. In September 2009, the USAID-funded Cambodia MSME/BEE project was the first program to implement the PAT survey in Cambodia.

#### **How Does the Cambodia PAT Measure Poverty?**

Since poverty has distinct characteristics, Cambodia’s PAT is a country-specific household survey. It contains 17 questions, carefully selected and calibrated to determine whether respondents meet the definition of very poor in the Cambodian context. The survey questions cover three main areas: household member information; housing and living conditions; and assets. It is important to note that the poverty assessment tools are designed to assess the poverty level of groups of clients or beneficiaries. The surveys are not as accurate in assessing individual poverty and care should be taken in using a PAT, or any tool designed to measure absolute poverty, to target new clients.

#### **Who Was Surveyed?**

USAID Cambodia MSME/BEE hired a local market research firm, called Indochina Research Ltd., to implement the baseline survey and PAT questionnaire. A total of 735 program beneficiaries were interviewed in eleven districts – Battambang, Kampong Cham, Kampong Speu, Kampong Thom, Kampot, Kandal, Prey Veng, Pursat, Siem Reap, Svay Rieng, and Takeo. The sample was 5 percent urban and 95 percent rural, and it included a wide range of actors in all three of the selected value chains, such as fish and pig producers, veterinarians, fish and pig traders, and brick and tile makers, for instance.



## **Key Findings**

- 2.6% of the respondents qualified as “very poor,” meaning they fell below the international extreme poverty line.
- 25.7% of respondents qualified as “poor,” based on the international poverty line.
- 52% of the respondents reported tiles as the primary construction material of their roofs, with galvanized iron or aluminum coming in second at 33%.
- Nearly 64% of clients use battery as their household’s main source of lighting. Of the remaining respondents, 23% use publicly-provided electricity, 6% use a kerosene lamp, and 5% use privately-generated electricity or a generator.
- Almost 62% of respondents always boil or otherwise treat the household drinking water.
- 80% of households use firewood as the primary source of fuel for cooking. In addition, 8% use charcoal and 7% use a combination of firewood and charcoal.
- More than 75% of clients own one television, while only 13% of respondents do not own one. The remaining 10% own more than one television.
- While almost 52% of households reported owning at least one video tape player or video recorder, 46% did not own one.
- More households own motorcycles than do not own motorcycles. In fact, 61% own at least one motorcycle and 20% own two (less than 16% do not own a motorcycle at all).

*A summary of survey results is available upon request. For more information on the PAT, go to [www.povertytools.org](http://www.povertytools.org).*

Client Assessment Survey – Cambodia

Interviewer: Fill out the information below before the survey begins. Do not ask the respondent for this information.

Date of Interview :

Interviewer (code) :

Branch (code) :

Region :

1=Phnom Penh      2=Coastal      3=Plateau/mountain  
4=Plains            5=Tonle Sap

Client Location : Urban=0; Rural=1

Time in Program : Months

Client or ID # :

Quality Control Checks	
Field Supervisor	
Date	Initials
Headquarters	
Date	Initials
Data Processor	
Date	Initials

Interviewer: Introduce the survey to the respondent. Say: "Hello. My name is \_\_\_\_\_. I work for the organization \_\_\_\_\_. We are trying to learn a little bit more about the clients we work with, and so I have a few questions I would like to ask today. It should only take us about 20 minutes, and the answers you provide will be put together with answers from other households. All of your answers are completely confidential and your name will not be given with your answers. Are you willing to take some time to answer these questions today?" After he/she agrees, proceed with the dialogue below.

Interviewer: "I would like to ask you some questions about the people in your household. Let me tell you a little bit about what we mean by 'household.' For our purposes today, members of a household are those that live together and eat from the "same pot." Each person contributes to and benefits from the household. It should include anyone who has lived in your house for 6 of the last 12 months, but it does not include anyone who lives here but eats separately. Do you have any questions about that?" Answer any questions the respondent has before proceeding.

Interviewer: Ask the respondent to list all members of the household, using the definition above. After completing Column A, then ask for the information in Columns B-E, filling out each row completely before moving to the next household member. Write the information down in the chart as he/she relays it to you. Say to the respondent: "Now I would like you to identify each person in your household and then answer some basic questions about each person."

	A. Household Member	B. Sex	C. Relation to household head	D. Age	E. For persons 5 years of age and older only Can [NAME] read a simple message in any language?
1.		Female ...0 Male .....1	Head.....1 Spouse.....2 Child.....3 Parent.....4 Grandchild.....5 Grandparent.....6 Other.....7	(complete years)	No.....0 Yes.....1
	1) Respondent				
	2)				
	3)				
	4)				
	5)				
	6)				
	7)				
	8)				
	9)				
	10)				
	11)				
	12)				
	13)				
	14)				
	15)				

**Interviewer:** Skip this section and return to fill in the answers after the interview. Do not ask the respondent these questions; fill in the answers from the information in the table above.

2. Number of people living in household (record number of members from column A above):
3. Sex of household head (record sex from Column B for person who is identified as household head in Column C):
4. Age of household head (record age from Column D for person who is identified as household head in Column C):
5. Number of people age 18 and older (excluding head) who can read (record total number who answer 1 in Column E, *excluding household head, who are identified as 18 years or older in Column D*)

**Interviewer:** Say: "Now, I would like to ask you some questions about your housing conditions. By housing I mean all the rooms and all the separate buildings in which you and your household members live."

**Interviewer:** For questions with multiple choice answers, do not read the answers. Ask respondent the question and match the answer to the option most similar on the survey. If respondent's answer is unclear, probe until you find an adequate answer.

6. What is the primary construction material of the roof of the housing/dwelling unit occupied by your household?
- |                                   |   |  |    |
|-----------------------------------|---|--|----|
| Thatch .....                      | 1 | Mixed but predominantly made of galvanized iron/aluminum,          |    |
| Tiles .....                       | 2 | tiles or fibrous cement .....                                      | 7  |
| Fibrous cement.....               | 3 | Mixed but predominantly made of thatch or salvaged materials ..... | 8  |
| Galvanized iron or aluminum ..... | 4 | Plastic sheet.....   | 9  |
| Salvaged materials .....          | 5 | Other .....  | 10 |
| Concrete .....                    | 6 |  |    |

7. What is your household's main source of lighting?
- |  |   |                     |   |
|--|---|---------------------|---|
| Publidy-provided electricity .....           | 1 | Kerosene lamp ..... | 4 |
| Privately-generated electricity/Generator .. | 2 | None .....          | 5 |
| Battery .....                                | 3 | Other .....         | 6 |

8. Did your household boil or otherwise treat its drinking water last month?
- Yes, always .....1
- Sometimes .....2
- No, never .....3

9. What type of fuel does your household mainly use for cooking?
- |                               |   |                                       |    |
|-------------------------------|---|---------------------------------------|----|
| Firewood .....                | 1 | Publicly-provided electricity .....   | 6  |
| Charcoal .....                | 2 | Gas and electricity .....             | 7  |
| Firewood and charcoal .....   | 3 | Privately-generated electricity ..... | 8  |
| Liquefied petroleum gas ..... | 4 | None/don't cook .....                 | 9  |
| Kerosene .....                | 5 | Other .....                           | 10 |

**Interviewer:** Say: "Now I would like to ask you a few questions about some items that may be present in your dwelling."

- |   |                      |        |
|---|----------------------|--------|
| 10 How many televisions does your household own?  | <input type="text"/> | number |
| 11 How many video tape players or video tape recorders does your household own?                   | <input type="text"/> | number |
| 12 How many motorcycles does your household currently own?  | <input type="text"/> | number |
| 13 How many suitcases does your household own?  | <input type="text"/> | number |
| 14 How many dining sets does your household own? By dining set, I mean a set of table and chairs. | <input type="text"/> | number |
| 15 How many wardrobes or cabinets does your household own?  | <input type="text"/> | number |

***Interviewer: Please make sure that the setting of the interview ensures confidentiality before beginning this section. Say: "I know that the following question may be sensitive. I assure you that the answers will not be shared with anyone else."***

- 16 How many times in the past 7 days did your household consume fish/fish paste, squid, shrimp and prawns, etc. at home?
- number
- 17 How many times in the past 7 days did your household eat other meat, such as beef, pork, chicken, or duck?
- number

***Interviewer: Look over the survey to see if you have missed any questions. If you have, please ask those questions of the respondent. If not, it is the end of the interview. Remember to thank the respondent for his/her time in helping you answer these questions!***

***Now return to the questions in the box below the roster and fill in the answers.***